



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

DR. KENNETH M. STONE, CPA
Internal Audit Executive

Internal Audit Section

Carnahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

FILE COPY

January 5, 2011

Bonnie Reese, Executive Director
St. Louis Transitional Hope House
1611 Hodiamont
St. Louis, MO 63112

RE: Supportive Housing Program (SHP) (Project #2010-HOM12)

Dear Ms. Reese:

Enclosed is a report of the fiscal monitoring review of the St. Louis Transitional Hope House, a not-for-profit organization, SHP, for the period October 1, 2009 through January 31, 2010. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of St. Louis Transitional Hope House. Fieldwork was completed on March 8, 2010.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Department of Human Services (DHS) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Walter Danneman, Accounting Coordinator, DHS
Antoinette Triplett, Manager II - Homeless Services, DHS



CITY OF ST. LOUIS

**DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM (SHP)**

**ST. LOUIS TRANSITIONAL HOPE HOUSE
CONTRACT #60599
CFDA #14.235**

FISCAL MONITORING REVIEW

OCTOBER 1, 2009 THROUGH JANUARY 31, 2010

PROJECT #2010-HOM12

DATE ISSUED: JANUARY 5, 2011

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM
ST. LOUIS TRANSITIONAL HOPE HOUSE
FISCAL MONITORING REVIEW
OCTOBER 1, 2009 THROUGH JANUARY 31, 2010**

TABLE OF CONTENTS

Description	Page(s)
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
SUMMARY OF OBSERVATIONS	
Conclusion	2
Status of Prior Observations	2
A-133 Status	2
Summary of Current Observations	2
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES	3

INTRODUCTION

Background

Contract Name: St. Louis Transitional Hope House

Contract Number: 60599

CFDA Number: 14.235

Contract Period: October 1, 2009 through January 31, 2010

Contract Amount: \$748,415

The contract provided Supportive Housing Program (SHP) funds to the St. Louis Transitional Hope House (Agency) to provide supportive services to families who were at risk of becoming homeless.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Department of Human Services (DHS) requirements for the period October 1, 2009, through January 31, 2010, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by DHS. Evidence was tested supporting the reports the Agency submitted to DHS and other procedures were performed as considered necessary. Fieldwork was completed on March 8, 2010.

Exit Conference

An exit conference was offered, but the Agency declined.

Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on December 12, 2010. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local DHS requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2009-HOM17, issued October 12, 2009, contained one observation, which is considered resolved:

- Unallowable payroll expenditures (**Resolved**)

A-133 Status

The Agency expended \$500,000 or more in federal funds for its fiscal year ended June 30, 2009; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

The report was dated December 15, 2009 and rendered unqualified opinions for internal controls over financial reporting and major programs. There were no material weaknesses or significant deficiencies, or instances of noncompliance identified in the report.

The auditee qualified as a low-risk auditee.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented could assist the Agency in fully complying with federal, state, and local DHS requirements.

- Going concern issues exist

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Going Concern Issues Exist

The Agency had negative working capital balances for 2009 and 2010. The Agency's balance sheet as of January 31, 2010 had a negative working capital of \$104,055.97 and the balance sheet as of February 28, 2009 had negative working capital of \$9,577.15.

An Agency's working capital balance is indicative of its ability to meet obligations as they become due and to continue rendering services into the foreseeable future. Consequently, an agency should maintain a positive working capital to be considered financially solvent.

A lack of available resources of funding has caused the Agency to fail to maintain a positive working capital.

The continued existence of a negative working capital balance may raise concerns about the Agency's ability to continue operations and provide services.

Recommendation

We recommend the Agency establish a plan to properly address the deficit and more closely monitor expenditures. We also recommend the Agency work with DHS to maintain a positive working capital and ensure the financial stability.

Management's Response

"Management is well aware of the agency's negative working capital balance. Because expenditures (and revenue) are monitored very closely, there is a plan that has been developed to properly address the deficit at its source. (1) Over the past two years, the Child Development Center has operated with expanded hours to allow agency clients to take advantage of scarce job opportunities as they became available. These jobs often involved evening and/or weekend hours. The expansion of childcare services was useful at the time, but did increase the agency's operating costs.

As the need for expanded hours is no longer necessary (attendance during these hours is greatly reduced), the Center's operating schedule will be significantly reduced to match the need, thus reducing operating costs.

(2) In addition to the reduction of operating costs, the agency's Head Start slots have been increased and will result in increased revenue. (3) To further strengthen the balance sheet, short term debt may be restructured to a longer term."

I hope this response will show you that the agency is (1) aware of the issue and; (2) is taking appropriate steps to resolve the issue.